

FINANCIAL HARDSHIP INFORMATION

as of June 3, 2002

Prior to submitting a Financial Hardship "Application for Funding" (Form SAB 50-04), the district must have approval for Financial Hardship. In order to obtain this approval the district must provide verification that it has made all reasonable efforts to fund its matching share of the project. Reasonable effort must be demonstrated as follows:

The district must meet item "A" and at least one requirement of item "B":

NOTE: A County Office of Education cannot levy developer fees or pass general obligation bonds, therefore, a COE automatically meets the criteria for a financial review. A COE may go directly to the "Evidence Required for a Financial Review" section of this page.

- A. The district must be levying developer fees at the maximum developer fee justified under law or have an alternative revenue source equal to or greater than the developer fee otherwise justified under law at the time of request for financial hardship. As evidence, please include a copy of the resolution from the district's school board authorizing the levying of the fee. If the district is not levying a fee in accordance with current statute, please include a copy of the district's recent Implementation Study and or the Needs Analysis to support the amount being levied or justification for an alternative revenue source.
- B. The district must meet one of the following:
 1. The current outstanding bonded indebtedness of the district, at the time of request for financial hardship status, is at least 60 percent of the district's total bonding capacity. Outstanding bonded indebtedness includes that part of General Obligation Bonds, Mello-Roos Bonds, School Facility Improvement District Bonds and Certificates of Participation (COPs), which the district is paying a debt service that was issued for capital outlay school facility purposes.

Please submit certification from the county auditor controller stating the district's current assessed valuation, outstanding bonded indebtedness, and remaining bonding capacity.
 2. The district had a successful registered voter bond election for at least the maximum amount allowed under Proposition 39 within the previous two years from the date of request for financial hardship status. The proceeds from the bond election that represent the maximum amount allowed under the provisions of Proposition 39 must be used to fund the district's matching share requirement for SFP project(s).
 3. It is a County Superintendent of Schools.
 4. The district's total bonding capacity at the time of the request for financial hardship status is \$5 million or less.
 5. Other evidence of reasonable effort as approved by the SAB provided the District had a registered Proposition 39 voter bond election for at least the maximum amount allowed under Proposition 39 within the previous two years from the date of request for financial hardship status. If the district's request for financial hardship status is denied by the Board, the district may be deemed eligible for rental payments of \$2,000 per year per classroom under the Emergency School Classroom Law of 1979 for a two year period. The number of classrooms eligible for the \$2,000 rental payments shall be the sum of the numbers determined in (b)(5)(B) as follows:
 - (b)(5)(A) Determine the number of pupils by grade level that the district requested a New Construction Grant on the Application for Funding, Form SAB 50-04 (Rev. 01/01) that were denied financial hardship status.
 - (b)(5)(B) Divide the number by grade level determined in (b)(5)(A) by 25 for K-6, 27 for 7-12, 13 for Non-Severe and 9 for Severe and round up to the nearest whole number. If the district did not meet the requirements of item "A" and at least one of the items of "B", it does not qualify for financial hardship approval. If the district meets item "A" and at least one of the items of "B", the OPSC will need the following additional information to make a determination of available district matching share funds:

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EVIDENCE REQUIRED FOR A FINANCIAL REVIEW

- “Financial Hardship Project Worksheet” for each project. This document is vital for the OPSC to determine the amount of funding the district is requesting by project. This document is not considered to be a “final” application for the purpose of funding. For instructions regarding the specific elements of this worksheet, refer to the instructions for the Form SAB 50-04. Once a district is approved for financial hardship the district can submit Form SAB 50-04.
- Summarized worksheet of district’s financial condition from the latest independent audit report, along with subsequent transactions to arrive at current unaudited available funds. An example of a financial hardship worksheet that may assist the district in reporting its financial information reflected in its capital projects funds can be found on the OPSC web page at <http://www.opsc.dgs.ca.gov>. Please use a separate worksheet for each fund identified within the capital projects funds so that the funds are not commingled.
- For all financial hardship renewals, the district must provide a detailed expenditure report (such as an Excel spreadsheet) listing all expenditures as shown in the subsequent events (Column 2) for each Financial Hardship Worksheet submitted. This must be very specific, and list each expenditure. If this is not submitted, all of the expenditures shown may be disallowed, and deemed as “funds available.”
- Identify restricted funds such as Class Size Reduction.
- Identify the purpose and provide necessary documentation for any restrictions on funds within the special reserve fund listed in the district’s capital projects the County Office of Education. The review shall determine fund.
- Any encumbrances or obligations the district is claiming must be supported with documentation (i.e. contracts/ payment schedules).
- Identify all bonds and COPs authorized and sold to date of financial hardship request. If the district has unsold bonds or COPs please provide documentation regarding any possible restrictions on the use of these funds.
- Expenditure Reports - Any funds spent on the district’s SFP project(s) must be reported on an expenditure report. We recommend the district use expenditure report Forms SAB 184 and SAB 184A, which can be found on the OPSC web page at <http://www.opsc.dgs.ca.gov>. On the expenditure report, please identify the fund source that was utilized for the expenditure.
- Copy of complete latest independent audit report.
- Listing of the District’s unused site(s) and their intended purpose(s). If the District has no unused site, please send a statement to that effect.
- Current Enrollment Certification/Projection (Form SAB 50-01) and Existing School Building Capacity (Form SAB 50-02), so we can calculate the “interim housing” allowance. This allowance is only for interim housing for new construction projects; this is not required if the district is only requesting approval for modernization projects. A checklist of documentation that may assist the district in gathering pertinent information for the OPSC review can also be found on the OPSC web page. The OPSC will be conducting an analysis of the information to determine the following:

Evidence of financial inability to provide all or a portion of necessary matching funds for an eligible project. To determine this, an analysis shall be made of the applicant’s financial records by the OPSC including data and records maintained by the California Department of Education and whether available non-operational funds and savings from other SFP projects are sufficient to fund all or a portion of the matching share requirements on a project.

The review shall also include an analysis of the district’s latest independent audit report, and material subsequent transactions, regarding funds available from all capital facility accounts including, but not limited to: developer fees, funds generated from capital facility COPs, federal grants, redevelopment funds, sale proceeds from surplus property, the appraised value of facilities approved for replacement pursuant to Section 1859.82, bond funds either encumbered, unencumbered or authorized but unsold, and savings from other SFP projects. All funds identified that have not been expended or encumbered by a contractual agreement for a specific capital

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outlay purpose prior to the initial request for financial hardship status shall be deemed available as a matching contribution, with the exception of the interim housing allowance.

If the district does not submit an Application for Funding, Form SAB 50-04 under the provisions of financial hardship within 180 calendar days of the OPSC notification of approval of financial hardship status, the district must re-qualify for financial hardship status under the provisions of Section 1859.81 by submittal of a new request for financial hardship status.

If the district submits an Application for Funding, Form SAB 50-04 within 180 calendar days of the OPSC notification of approval of financial hardship and the project(s) has been included on an unfunded list for more than 180 calendar days, a review of the district's funds pursuant to Section 1859.81(a) will be made to determine if additional district funds are available to fund the district's matching share of the project(s).

Please be advised that the district may be subject to the following, as a condition of receiving financial If the district receives financial hardship it will be required to submit subsequent years' independent audit reports.

Districts that receive financial hardship approval are subject to a follow-up audit and are advised to keep detailed records of all documentation used to determine financial hardship.

If the district meets the financial hardship criteria in Section 1859.81, it may be eligible for a separate apportionment for the following:

- (a) For new construction projects, an amount not to exceed 100 percent of the lesser of the actual or appraised value of the site as provided in Sections 1859.74, 189.74.1 and 1859.75.
- (b) For new construction or modernization projects, an amount not to exceed 40 percent of the new construction grant or 20 percent of the modernization grant amount for design, engineering and other preconstruction project costs.

The amount provided in (a) and (b) as a separate apportionment shall be offset from the new construction or modernization grant amount the district would otherwise be eligible to receive pursuant to Section 1859.70.

Financial hardship approval status by the OPSC for a separate design and/or site apportionment does not apply to any subsequent funding for the project(s).